

VALUATION COMMITTEE
of Connecticut Innovations, Incorporated
Minutes – Regular Meeting
Wednesday, June 18, 2014

A regular meeting of the **Valuation Committee of Connecticut Innovations, Incorporated** (the “Committee”) was held on June 18, 2014, at the office of Connecticut Innovations, Inc., 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Katherine Vick, Chairperson of the Committee, called the meeting to order at 9:02 a.m. Present: James Jordan (by phone), Frank Morse (by phone), Patrick Murphy, and Katherine Vick.

Absent: Raghav Nandagopal

Others Attending: John Schuyler and William Sawicki of Marcum LLP

Staff Attending: George Bellas, Heidi Bieber, Matthew Bloom, Kevin Crowley, Stepheni Harpin, Claire Leonardi, Peter Longo, Lillian Mu, Pauline Murphy, Patrick O’Neill, Christopher Penner, Douglas Roth, Phil Siuta, Matthew Storeygard, Glendowyn Thames, Russ Tweeddale, Michael Wisniewski, and David Wurzer.

Mr. Wurzer introduced the Valuation Committee members. He stated that the portfolio valuation numbers that were provided were preliminary and that we will schedule a follow-up meeting in regard to subsequent events and edits that need to be corrected. The meeting will be scheduled for late August or early September.

Mr. Wurzer stated that the CI Ventures portfolio was prioritized for review purposes: 70% of the portfolio will be discussed in categories (Group One) Investments requiring detailed discussions, (Group Two) Investment valuations following standard reserving requirements where material adjustments are proposed, and (Group Three) Investments over \$1.5 million – with 70% of portfolio in first three categories and 80% of the portfolio when adding publically traded stock and first three categories. In addition he added that CI has a majority of companies in their first five years of operations and therefore, we have a relatively young portfolio. Mr. Wurzer added that the median portfolio company has been in the portfolio for three years, and the weighted average age is less than three years. He emphasized that venture investment funds generally incur losses first, and liquidity events generally happen in subsequent years—seven to 10 years after the initial investment.

Mr. Wurzer explained that we are looking to streamline the valuation process. He indicated that over the past three years, the annual investments grew from about \$10 million a year to \$20 plus million a year and that the Venture Team is looking at investing \$25 million next year—so the valuation process is still evolving.

Ms. Vick explained that the Venture Team and the Valuation Committee would discuss group one and group two companies today, in detail, while companies in groups three and four would be discussed only if there are questions regarding valuation.

2. Approval of Minutes:

Ms. Vick asked the Committee members to consider the minutes of the April 28, 2014 meetings.

Upon a motion made by Mr. Murphy and seconded by Mr. Morse, the Valuation Committee members voted unanimously in favor of accepting the minutes of the April 28, 2014 meeting as presented.

3. Review of FY2014 CI Investment Portfolio Valuations:**Investments Requiring Detailed Discussions (Group One):**

The CI investment managers presented and discussed the proposed valuations of the CI portfolio companies. These companies were approved as presented

- Affinimark Technologies, Inc.
- Soft Tissue Regeneration, Inc.

After discussing the proposed valuations, the Committee and the Venture Team determined that the following companies should be revisited at the follow-up meeting:

- Continuity Control Inc.
- EMME
- Environmental Energy Services, Inc.
- EpiEp, Inc.
- etouches, Inc.
- iDevices, LLC
- Remote Reality (typo job date should be 6/30/14)
- Skystream Markets Inc.
- Zadspace

Investment Valuations Following Policy – Material Adjustments Proposed (Group Two):

The CI investment managers presented and discussed the proposed valuations of the CI portfolio companies. These companies were approved as presented:

- Advent Technologies
- Cyvek
- Deets
- Logicbroker
- MediaCrossing
- P2 Science
- Post-N-Track Corporation
- SmartEquip, Inc.

- SmartPay Newco, LLC
- Sustainable Real Estate Solutions
- ZetrOz

Noting potential conflicts of interest Mr. Morse recused himself from any discussion on SmartPay Newco, LLC.

After discussing the proposed valuations, the Committee and the Venture Team determined that the following companies should be revisited at the follow-up meeting:

- CMD Bioscience
- Innovatient Solutions, Inc.
- Intelligent Clearing Networks (ICN)
- Oil Purification Systems
- School Chapters

Investments > \$1.5 Million – Not Discussed Above (Group Three):

These companies were approved as presented:

- CiDra Holdings, LLC
- New Haven Pharmaceuticals
- NovaTract Surgical, LLC
- Silversky f/k/a Perimeter Internetworking
- Thetis Pharmaceuticals, LLC
- Xlerant – current reserve in place

Noting potential conflicts of interest Mr. Morse recused himself from any discussion on Thetis Pharmaceuticals, LLC.

Investment Valuations – No Adjustments Proposed (Group Four):

- Arvinas, Inc.
- Becaid, LLC
- Engage121
- Local Yokel Media
- NorthPage, Inc.
- Payveris
- Precipio
- Umbie Health

After discussing the proposed valuations, the Committee and the Venture Team determined that the following companies should be revisited at the follow-up meeting:

- Axerion, Inc.
- AxioMx, Inc.

Other:

After discussing the proposed valuations, the Committee and the Venture Team determined that the following funds should be revisited at the follow-up meeting to allow for market changes (for the public companies) and investments and payments through June 30th to be reflected in the valuations of the fund:

- Bio Facilities
- Other Investments
- Pre-Seed/TechStart Public Securities
- Venture Mezzanine Debt

This company was approved as presented:

- Accumentrics

Staff will report back on the companies with subsequent events. Ms. Vick asked that we revisit the follow-ups, and rewrites in an efficient manner. It was determined that for the follow-up meeting in order to highlight the changes Staff will bold the changes to the Investments Summary sheets and revise the documentation as needed.

A discussion followed regarding the valuation process, streamlining the process, lessons learned, when to have meetings, how much feedback is needed for the committee to make decisions, the format for next year, availability of electronic versions, further prioritizing portfolio, what documents should be provided, financial information/cap tables and other issues that need further discussion at the "special" meeting in late August or early September. There seemed to be consensus that attending the meeting in person, if possible, would be highly beneficial to the valuation process.

Ms. Leonardi and the Committee members commended staff for the great job with valuing the companies. Ms. Leonardi thanked the Valuation Committee members for their time and efforts.

4. **Adjournment:** Upon a motion made by Mr. Morse and seconded by Mr. Murphy, the Valuation Committee members voted to adjourn the June 18, 2014 meeting at 11:00 a.m.

Respectfully submitted,



Katherine Vick
Chairperson of the Valuation
Committee